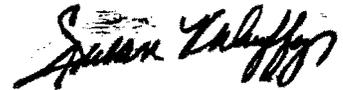


BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

MAR 03 2011



IN THE MATTER OF THE PETITION]
OF WESTAR ENERGY, INC. AND]
KANSAS GAS AND ELECTRIC COMPANY]
(COLLECTIVELY "WESTAR") FOR]
DETERMINATION OF RATEMAKING]
PRINCIPLES AND TREATMENT THAT]
WILL APPLY TO THE RECOVERY IN]
RATES OF THE COST TO BE INCURRED]
BY WESTAR FOR CERTAIN POWER]
PURCHASE AGREEMENTS UNDER]
K.S.A. 2003 Supp. 66-1239]

KCC Docket No. 11-WSEE-377-PRE

CROSS-ANSWERING TESTIMONY OF

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

March 3, 2011

1 **Q. Please state your name and business address.**

2 A. My name is Andrea C. Crane and my business address is 199 Ethan Allen Highway,
3 Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown, Connecticut
4 06829)

5
6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes, on February 11, 2011, I filed testimony on behalf of the Citizens' Utility Ratepayer
8 Board ("CURB"). In that testimony, I recommended that the Kansas Corporation
9 Commission ("KCC") approve the Petition filed by Westar Energy, Inc. and Kansas Gas and
10 Electric Company (collectively "Westar" or "Company") for a predetermination of
11 ratemaking principles and ratemaking treatment that will apply to costs incurred by Westar
12 for certain power purchase agreements ("PPAs") relating to wind generation. In that
13 testimony, I also recommended that the KCC adopt reporting requirements relating to both
14 Company-owned wind generation facilities and renewable generation purchased through
15 PPAs.

16
17 **Q. Did you review the testimony filed by KCC Staff in this proceeding on February 11,
18 2011?**

19 A. Yes, I did. As a result of that review, I identified an error in my Direct Testimony that I
20 would like to bring to the parties' attention. Moreover, based on further review of the
21 Renewable Energy Standards ("RES") Act and KCC regulations, I believe that there may also
22 be errors in the testimony filed by Westar and Staff that should be brought to the KCC's

1 attention. All of these errors relate to the dates for implementation of the various RES
2 requirements.

3
4 **Q. What dates for implementation of the RES requirements did you assume in your Direct
5 Testimony?**

6 A. As stated on page 8 of my Direct Testimony, it was my understanding that the 10% RES
7 requirement was effective July 1, 2011. Moreover, my testimony assumed that the RES
8 requirement increases to 15% for the period July 1, 2015 - July 1, 2020, and to 20% after
9 July 1, 2020.

10
11 **Q. What was the basis for the implementation dates assumed in your Direct Testimony?**

12 A. The basis for these dates was Mr. Greenwood's Direct Testimony at pages 8-9, beginning at
13 line 18, where he stated that,

14 Under the statute and recently approved regulations, we estimate that we
15 would have to add approximately 160 MW of additional renewable resources
16 by July 1, 2011 to meet the initial 10% requirement. Based on our
17 projections of peak demand growth, we expect the additions needed to remain
18 in compliance with the 10% requirement to increase to about 200 MW by
19 2015. The RES requirement grows to 15% at July 1, 2016 - requiring us to
20 add about 26- MW of incremental renewable resources - and 20% at July 1,
21 2020 - requiring us to add another 270 MW of incremental renewable energy
22 resources for Westar by July 1, 2020.

23 Thus, the July 1, 2011 and July 1, 2020 dates reflected in my testimony are based on Mr.
24 Greenwood's Direct Testimony. It was my intent to also rely upon Mr. Greenwood's
25 testimony for the date at which the requirement increases to 15%, which Mr. Greenwood
26 stated was July 1, 2016. Unfortunately, I erroneously used a date of July 1, 2015 in my

1 Direct Testimony.

2 **Q. Based on your review of Staff's Direct Testimony, do you still believe that the dates**
3 **contained in Mr. Greenwood's Direct testimony are correct?**

4 A. No, I do not. Mr. Greenwood's Direct Testimony differs from the Direct Testimony of Staff
5 witness Michael J. Wegner on page 3, which states "[e]ach utility is required to have
6 generation capacity that is not less than 10% of its three year average peak demand by
7 December 31, 2011, not less than 15% by December 31, 2016, and not less than 20% by
8 January 1, 2020." Given the discrepancy between the dates contained in Mr. Greenwood's
9 Direct Testimony and the dates contained in Mr. Wegner's Direct Testimony, I went back
10 and reviewed the relevant statute, K.S.A. 66-1258. Based on my review of the statute, I
11 believe that both the Company and Staff have reflected incorrect implementation dates in
12 their testimonies.

13
14 **Q. What does the statute require?**

15 A. The statute is based on calendar years. Specifically, K.S.A. 66-1258 states, in part:

16 Such portfolio requirement shall provide net renewable generation capacity
17 that shall constitute the following portion of each affected utility's peak
18 demand:

19 (1) Not less than 10% of the affected utility's peak demand for calendar years
20 2011 through 2015, based on the average demand of the prior three years of
21 each year's requirement;

22 (2) not less than 15% of the affected utility's peak demand for calendar years
23 2016 through 2019, based on the average demand of the prior three years of
24 each year's requirement;

25 (3) not less than 20% of the affected utility's peak demand for each calendar

1 year beginning in 2020, based on the average demand of the prior three years
2 of each year's requirement.

3 Thus, the statute has implementation dates of January 1, 2011, January 1, 2016, and January
4 1, 2020 for the 10%, 15% and 20% RES requirements respectively.

5
6 **Q. Has the KCC issued regulations relating to implementation of the statute?**

7 A. Yes, it has. The KCC issued regulations governing Electric Utility Renewable Energy
8 Standards that became effective November 19, 2010. These regulations require each utility
9 to submit a report by August 1st of each year, detailing "the renewable generation that has
10 been put into service or the portion of the utility's portfolio of renewable generation resources
11 served from purchased energy, RECs, or net metering systems on or before July 1 of each
12 calendar year."¹ However, the July 1 date per the KCC regulations does not accelerate the
13 implementation dates contained in the statute. For example, under the KCC regulations,
14 utilities would be required to provide a report on August 1, 2015, detailing renewable
15 generation available as of July 1, 2015. However, utilities are not required to meet the 15%
16 RES requirement as of July 1, 2015, but are required simply to report on their available
17 renewable generation as of that date and report on their plans for meeting the renewable
18 energy standard requirements for the next calendar year.

19
20 **Q. Why is the specific implementation date for the 15% RES requirement particularly**
21 **important in this case?**

1 Article 16, 82-16-2 (b).

1 A. As noted in my Direct Testimony, Westar is proposing to add approximately 369 MW of
2 wind generation, significantly more than required to meet the 10% RES requirement for
3 2011. The additional wind generation would not be needed to meet the RES requirements
4 until the 15% requirement is implemented. In my Direct Testimony, I assumed that the 15%
5 requirement became effective on July 1, 2015. In fact, it will not become effective until
6 January 1, 2016. Therefore, ratepayers will be paying for this excess generation
7 approximately six months longer than assumed in my Direct Testimony.

8
9 **Q. How does this change in the implementation date impact the financial analysis**
10 **discussed in your Direct Testimony?**

11 A. As stated in my Direct Testimony, assuming that the 15% RES requirement becomes
12 effective July 1, 2015, then ratepayers were better off if Westar acquired this excess wind
13 generation now at the prices contained in the proposed PPAs, provided that one assumes a
14 discount rate of 9.7% or less. At higher discount rates, I concluded that it would be
15 preferable for Westar to acquire this generation when the RES requirement increases to 15%.

16 However, this analysis changes if one assumes that the 15% RES requirement does
17 not become effective until January 1, 2016. Given the later implementation date, ratepayers
18 are better off if Westar acquires this additional now provided that the discount rate is 7.33%
19 or less.²

20
21 **Q. Based on this revision to the implementation date, do you continue to recommend that**

1 **the proposed PPAs be approved?**

2 A. Yes, I do. As noted in my Direct Testimony, the selection of an appropriate discount rate is a
3 complex and subjective exercise. While 7.33% is below Westar's currently authorized cost
4 of capital, it is higher than the interest rates currently available to the majority of ratepayers
5 on their investments. In addition, once again this analysis is based on a 20-year PPA. If the
6 PPAs are extended for an additional five years, then purchasing the excess 173 MW of
7 generation now becomes even more attractive. Moreover, entering into these contracts now
8 would eliminate price risk for this additional generation and provide some level of rate
9 stability. For all these reasons, I continue to recommend that the PPAs be approved.

10
11 **Q. When you prepared your Direct Testimony, were you aware that the KCC had**
12 **approved certain reporting requirements that are similar to those you recommended in**
13 **your Direct Testimony?**

14 A. No, I was not. In attempting to reconcile the discrepancies noted above with regard to the
15 RES implementation dates contained in testimonies of Mr. Greenwood and Mr. Wegner, I
16 became aware of the KCC regulations that went into effect on November 19, 2010. These
17 KCC regulations do require the reporting of actual capacity factors, availability factors, and
18 the amount of energy generated by each facility, all of which I recommended be required in
19 my Direct Testimony. However, the current regulations do not require information on
20 budgeted availability factors, capacity factors, and energy generated. This budget
21 information is valuable in evaluating whether a project is meeting the expectations that were

2 In both analyses, I assumed a price increase of 50% relative to the average prices contained in the proposed PPAs.

1 relied upon by the utility, and its ratepayers, in developing a renewable portfolio. In addition,
2 the KCC regulations do not require reporting information on budgeted and actual operating
3 costs for each wind facility, average cost per kWh of energy generated by each wind facility,
4 or an explanation for any maintenance outages at wind facilities, all of which I recommended
5 in my Direct Testimony. This cost data is critical in order for the KCC and other parties to
6 properly evaluate the impact of renewable generation on utility rates in the State of Kansas
7 and I continue to recommend that it be required.³

8

9 **Q. Does this conclude your testimony?**

10 **A. Yes, it does.**

³ The KCC regulations do require information on the calculated percentage increase in the utility's revenue requirement and retail utility rates that would be caused by compliance with the act's portfolio requirement for the year, but do not explicitly require data relating to the specific operating costs of existing renewable generation.

VERIFICATION

STATE OF CONNECTICUT)
COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

Andrea C. Crane
Andrea C. Crane

Subscribed and sworn before me this 2nd day of March, 2011.

Notary Public Maïjorie M. Devlin

My Commission Expires: DECEMBER 31, 2013

CERTIFICATE OF SERVICE

11-WSEE-377-PRE

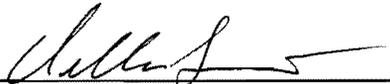
I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 3rd day of March, 2011, to the following:

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